

## MANUFACTURING/FORMULATION AGREEMENT

This Manufacturing/Formulation Agreement (the "Agreement") is made as of this day of \_\_\_\_\_ by and between \_\_\_\_\_ (Herein referred to as the 'CLIENT') and Sarati International, Ltd., located at RR Box 385, Los Fresnos, Texas ("Sarati"), and Sarati being referred to herein as the "Parties" or individually as a "Party".

A. Whereas Sarati is engaged in the manufacture and formulation of creams and other health care products, and

B. Whereas the CLIENT desires to have Sarati process, formulate or otherwise manufacture certain creams and healthcare products for distribution under 's private label

C. Whereas, the CLIENT and Sarati have entered into a Non-Disclosure Agreement and that agreement is made part of and incorporated herein.

NOW, THEREFORE, for \$10.00 in hand and other good and valuable consideration not otherwise stated, the parties hereto hereby agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) The term "Products" shall include all products manufactured for by Sarati, including but not limited to " List Product or Products," " ," or any other names chosen by for such Products.

(b) The term "Prices" shall mean Sarati's unit price for each of the Products as set forth in Schedule A hereto. The Prices shall not be revised unless mutually agreed to in advance in writing by both Parties

(c) The term "Specification" shall mean the compounds and other ingredients, in the ratios or concentrations, to manufacture the Products, as directed by (NAME OF COMPANY) using Sarati formulations.

2. Obligations of Sarati. During the term of this Agreement, Sarati covenants and agrees to:

(a) Provide a reasonable amount of samples of each Product or future products, as required and as requested by the CLIENT, and any further requests for samples will be billed at an agreed cost, including the cost of Federal Express or Priority Shipping.. This will allow an opportunity to assess and evaluate the products through testing, market research and any other requirements necessary to determine if a Product or future product is viable or marketable ("Approved Samples"), as determined by the CLIENT.

(b) Manufacture the Products pursuant to the Specifications for each Product under the strictest of quality control accordance with GMP (Good Manufacturing Practice). Sarati will ensure that all Products have the identical consistency, texture, aroma, appearance, color and all other qualities as the Approved Samples. Sarati agrees to test fully for all microbes, bacteria or any other possible product problems and will not deliver Products with any of these problems.

(c) Use appropriate mixing, compounding and quality control procedures to ensure conformance of each tube of Product with the appropriate Specification;

(d) Manufacture the Products by maintaining quality control data for each batch of Products manufactured and providing the CLIENT with Certificate of Manufacturing and Certificate of Analysis for each lot number. These documents will accompany the original shipment. Further, Sarati will imprint and track "lot numbers" and dates, and maintain proper records of all Products it manufactures in order to provide tracking of the Products, especially in the event of a recall or similar requirement. Sarati will store and warehouse in a secure location disclosed to the CLIENT any packaging supplied by the CLIENT, and shall maintain them in a safe place that is consistent with the temperature and

other environmental requirements for safe storage of the Products. Sarati will store Products in a manner that makes it easy to pick and ship Products to the CLIENT, or designated location.

(e) Fill empty Product tubes provided by the CLIENT or Sarati with the appropriate amount and type of Product as directed by or so indicated on the tube and arrange for proper warehouse and shipment pursuant to the direction of the CLIENT.

(f) Keep the CLIENTS's Specifications confidential and not disclose them to any person other than Sarati's employees without CLIENTS's prior, written consent. Sarati will not sell this formulation to anyone but the CLIENT, unless otherwise authorized to do so by the CLIENT in writing. Sarati will not sell this formulations and will not duplicate the Products for anyone, nor will they disclose any ingredients, marketing plans, materials, copyrights, trademarks, etc. ("Intellectual Property") to any third party.

(g) Manufacture quantities of the Products by no later than (thirty) days following receipt of CLIENTS's purchase orders and shall deliver the Products at the direction of the CLIENT F.O.B. Los Fresnos, TX 78566 to the designated point of destination.

(h) **Notify** CLIENT immediately by telephone and in writing if Sarati becomes aware of any information indicating (i) that the Products, or any of their ingredients, are potentially or actually unsafe, toxic, spoiled, or otherwise unfit for the use set forth on the labels; (ii) any problems, delays, **FDA demands or inquiries or other information** regarding the manufacture, shipment, production, warehousing or other fact that may affect 's ability to timely receive, distribute or sell the Products. In the event, there is a FDA decision to crackdown on any existing approved ingredients, all current purchase orders, not manufactured will be **automatically cancelled**. Any pending invoices or manufactured purchase orders will be the financial responsibility of the CLIENT.

(i) Notify its insurance carrier (the "Carrier") that CLIENT is a "vendor" for purpose of Sarati's Commercial General Liability Insurance Carrier, have CLIENT named as a "Named Insured" on said policy of insurance (the "Policy"), provide with a copy of such

Policy, ensure that the Policy or any replacement Policy provides limits of liability not less than \$2MM per claim.

(j) Notify the CLIENT immediately upon notice (i) that a claim has been filed with the Carrier which claim is based upon or related to healthcare or other products manufactured by Sarati, whether for CLIENT or other persons, or (ii) that it has not renewed or been accepted by the carrier to renew the Policy, the Policy has been altered or a new Carrier has been selected.

(k) Indemnify the CLIENT for all claims, losses, costs, or other expense arising out of the use of any of the Products by third parties, if such losses or claims are based upon Product defects or other problems that occur as a result of the manufacturing process. The limit to this indemnification will be the extent that Sarati is covered by their insurance policy. Any other claim of loss not involving the insurance company will be limited to replacement of product by Sarati.

3. Term and Termination. This Agreement shall be for a period of one (1) year unless terminated earlier as provided for herein. Nothing contained herein shall be construed as requiring the CLIENT to purchase any minimum quantities of the Products. Notwithstanding the foregoing, this Agreement may be earlier terminated for breach by either Party.

(a) If either Party materially breaches this Agreement, the other Party may terminate this Agreement effective upon thirty (30) days written notice unless such breach is cured within said thirty (30) day period.

(b) Notwithstanding the above, this Agreement shall automatically renew for an additional year and from year to year unless either party gives the other sixty (60) days written notice prior to the end of the then current Term.

4. Cooperation. As requested by CLIENT, Sarati will provide information, expertise, and assistance in formulating, marketing and manufacturing the Products. Sarati will work to identify new products or ingredients that may help improve the Products. Sarati will immediately notify the CLIENT of any problem, delay, FDA notice or demand or other issues in

manufacturing, shipping, producing, filling, warehousing or other services that may affect 's ability to receive, distribute or otherwise market the Products in a timely manner.

5. Relationship Between the CLIENT and Sarati. Nothing herein contained shall constitute a partnership between, or a joint venture by, the Parties hereto, or constitute either Party the agent of the other. It is hereby agreed that neither Party shall exercise any control over the activities or operations of the other Party.

6. Force Majeure. Neither party shall be liable for failures to perform any of its obligations hereunder due to causes beyond its reasonable control, such as acts of God, acts of other party, acts of civil or military authorities, fires, strikes, floods, wars, riots and other causes of a similar nature.

7. Notices. All written notices or other written communications required under this Agreement shall be deemed properly given when provided to the parties entitled thereto by personal delivery (including delivery by commercial services such as messengers and airfreight forwarders), by electronic means (such as by electronic mail, telex or facsimile transmission) or by mail sent registered or certified mail, postage prepaid to the parties at the following addresses (or to such address of a party designated in writing by such party to the others):

: NAME OF COMPANY \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

SARATI: SARATI INTERNATIONAL, Ltd.  
RR Box 385, Ted Hunt Rd  
Los Fresnos, TX 78566  
Attention: Mr. Hamilton Musser, President

All notices given by electronic means shall be confirmed by delivering to the party entitled thereto a copy of said notice by certified or registered mail, postage prepaid, return receipt requested. All written notices shall be deemed delivered and properly received upon the earlier

of two (2) days after mailing the confirmation notice or upon actual receipt of the notice provided by personal delivery or electronic means.

8. Attorneys' Fees and Costs. In the event it becomes necessary to enforce the terms of this Agreement, or in any controversy arising therefore, the prevailing party shall be entitled to recover the costs and expenses of enforcement, including payment of reasonable attorneys' fees and costs.

9. Subject Headings. The subject headings of the Sections and Subsections of this Agreement are included solely for the purpose of convenience only, and do not affect the construction or interpretation of any of the provisions of this Agreement

10. Amendments. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto.

11. Entire Agreement and Waiver. This Agreement contains the entire agreement between the parties hereto, and supersedes all prior and contemporaneous agreements, arrangements, negotiations and understandings between the parties here to relating to the subject matter here of. There are no other understandings, statements, promises or inducements, oral or otherwise, contrary to the terms of this Agreement. There are no representations, covenants or conditions, express or implied, whether by statute or otherwise, other than as set forth herein by any party hereto. No supplement, modification or termination of any term or condition shall be binding unless executed in writing by the parties to be bound thereby. No waiver of any term, provision, or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or shall constitute a waiver of any other provision hereof, whether or not similar, nor shall such waiver constitute a continuing waiver, and no waiver shall be binding unless executed in writing by the party making the waiver.

12. Assigns and Successors. Neither this Agreement, nor any of the rights or obligations hereunder, shall be assignable by either party without the written consent of the other first obtained, and any attempted assignment without such written consent shall be void and confer no rights upon any third party. Subject to the foregoing this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, representatives, successors and permitted assignees.

13. Counterparts. This Agreement may be executed under one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

14. Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, and subject to the laws of the State of TX.

15. Arbitration. In case the Parties hereto are unable to settle or resolve any and all differences, which may arise between them under this Agreement, such differences shall then be finally and conclusively settled and resolved by arbitration pursuant to the commercial rules, and under the auspices of, the American Arbitration Association ("AAA"). Venue for such arbitration shall be located at the offices of the AAA located closest to \_\_\_\_\_?

IN WITNESS WHEREOF, the parties hereto have entered into and duly executed this Agreement on the day and year first above written.

COMPANY: \_\_\_\_\_

By:

SARATI: SARATI INTERNATIONAL, Ltd.

By: Hamilton Musser, President

**Schedule A: Product Price List**

Product

Unit Price